The MEDCOM Small Business Office

Dan E. Shackelford
Associate Director for Small Business

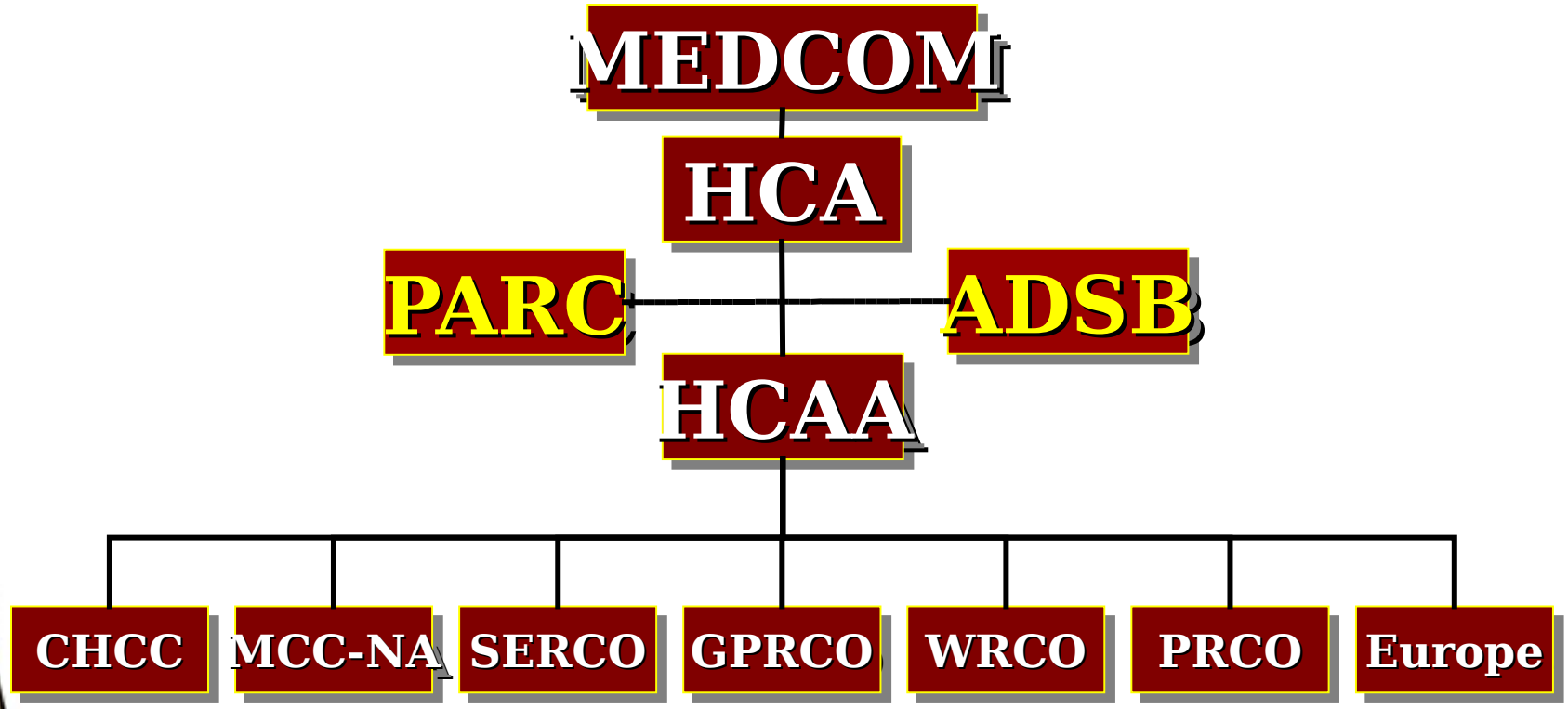
We Are

- A service-oriented team providing responsive assistance to small business concerns, HBCU/MI, and the Health Care Acquisition Activity.
  - We ensure that small businesses have an equitable opportunity to provide goods and services at the best value in support of military medical readiness.
  - We recommend challenging goals for our contracting offices and assist them in achieving those goals.
  - We provide guidance, assistance, and education to our acquisition community to help in the implementation of the Army Small Business Program.
- The Medical Command's primary liaison with the Small Business Administration for health care acquisitions.

Our Vision

- The Office of the Associate Director for Small Business of the US Army Medical Command is the premier small business office in the Army.
- The Medical Command is recognized and respected for its comprehensive and proactive programs that contribute significantly to the benefit of the U.S. Government and small businesses concerns, and in particular to the well-being of service members world-wide.

Organization Chart



What We Do

For Vendors:

- Educate on how to do business with us
- Advise on services and commodities we buy
- Introduce and advocate small business concerns to our SADBUS
- Make referrals to other agencies
- Arrange for vendor presentations

What We Do

For Contracting Officers:

- Provide training and oversight
- Assist in locating small businesses
- Assist with acquisition planning
- Resolve issues with SBA

What We Do

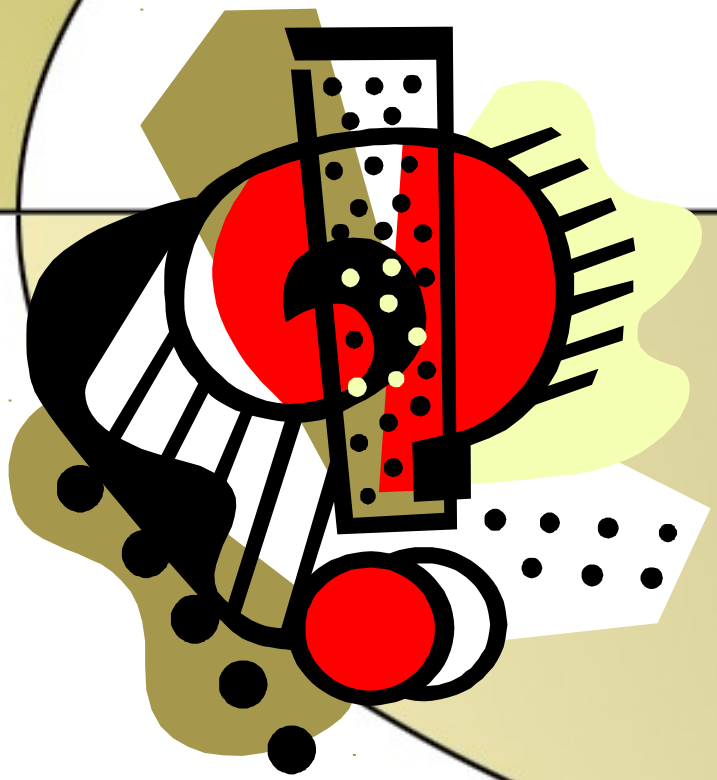
For Commanders and Program Managers:

- Assist with acquisition planning
- Advocate small business capabilities
- Assist in locating small businesses
- Resolve issues with SBA

ADSB Initiatives

- Community Involvement
  - San Antonio Business Opportunities Council
  - Chambers of Commerce
  - Procurement Technical Assistance Center conferences
  - Women's Organizations
  - Local Universities and Colleges
  - Other Agencies' (City, State, Federal) conferences and tradeshows
- Web Site: http://sb.amedd.army.mil
- Scorecard
- DD Form 2579 Reviews
- Award/Recognition Program
- Quarterly small business capability presentations
- Medical Command Small Business Conference (*pending*)

The Reason



Importance

Small business and socioeconomic programs are programs incorporated into the procurement process to foster the achievement of national goals established by the President and by Congress.

These national goals include:

- encouraging small business,
- maintaining the industrial base,
- overcoming regional unemployment,
- assisting minority workers,
- giving preference to domestic and other special sources, and
- maintaining integrity and fair competitive practices.

The Government utilizes its purchasing power as a means of promoting public policies.

It’s the LAW!

- 1942 - Small Business Mobilization Act
- 1947 - Armed Services Procurement Act
- 1953 - Small Business Act
- 1978 - Public Law 95-5071
- 1979 - Executive Order 12138
- 1987 - Public Law 99-661
- 1988 - Public Law 100-656
- 1992 - Public Law 101-510
- 1994 - Public Law 103-355
- 1995 - Adarand Decision
- 1997 - Small Business Reauthorization Act
- 1999 - Veteran Entrepreneurship & SB Developmen Act
- 2000 - SBA Reauthorization Act

It’s the LAW!

Small Business Mobilization Act of 1942

Congress recognized that business concerns operating small plants may not have the “economies of scale” necessary to compete with large plants, AND a price differential might be required to keep such plants mobilized…but only for the war efforts!

Armed Services Procurement Act of 1947

Congress declared, **“A fair proportion of total Federal purchases and contracts be placed with Small Business concerns.”** The intent was to continue in peacetime the policy which prompted enactment of the “Small Business Mobilization Act of 1942.

It’s the LAW!

Small Business Act of 1953

Recast the Small Defense Plants Administration into the Small Business Administration (SBA) **“The Government should aid, counsel, assist, and protect, insofar as possible, the interests of small business concerns to… ensure that a fair proportion of the total purchases… Be placed with small business enterprises…”**

Amendment to SB Act (PL 95-507)

- Passed in 1978
- Required Federal agencies to establish Small Business goals and explain to Congress when goals were not met
- Established SADBU Office at each Contracting Agency
- Redefined Minority Firms as “Socially and Economically Disadvantaged Small Business Concerns”
- Established subcontracting plan for large businesses
- Reserved all awards under $25,000 for small business

It’s the LAW!

Adarand Decision

- Suite brought by Adarand Constructors Inc. in 1990 alleging award for guardrail subcontract was an unlawful set-aside based on race.
- U.S. Supreme Court Decision (12 Jun 95)
    - Use of racial classifications for federal affirmative action programs must meet “strict scrutiny” test.
    - Remanded case back to lower courts.

DoD Response

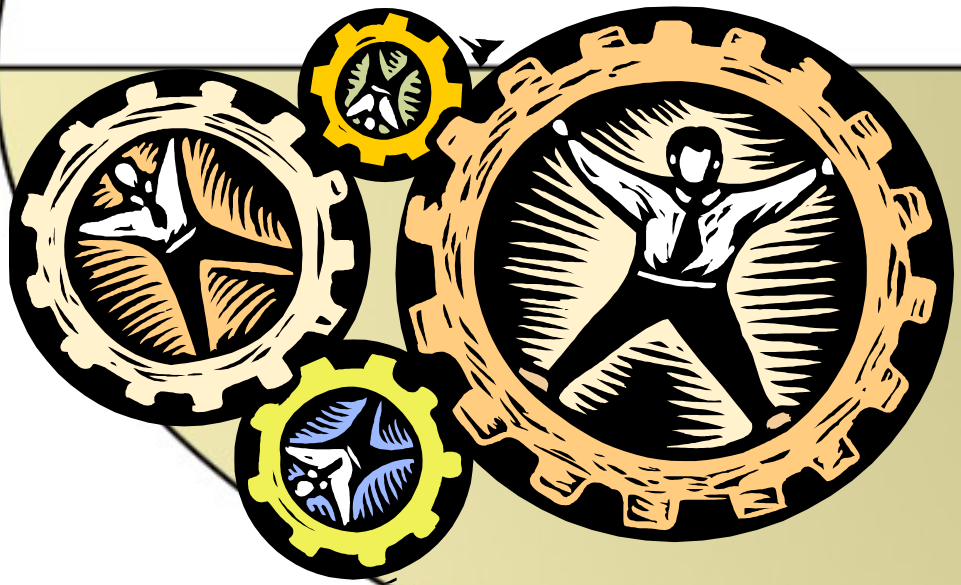
- Suspension of SDB Setasides
- However, SDB still a Priority
- Increase 8(a) Awards

It’s the LAW!

Federal Acquisition Streamlining Act of 1994
(PL 103-355)

- Enacted 10 Oct 94
- Established Simplified Acquisition Threshold at $100,000
- Provided automatic SB Reservation from $2,500 to $100,000
- Added Women-Owned SBs to Subcontracting Plans
- Established 5% Goal for Woman-Owned SB Firms

The Programs



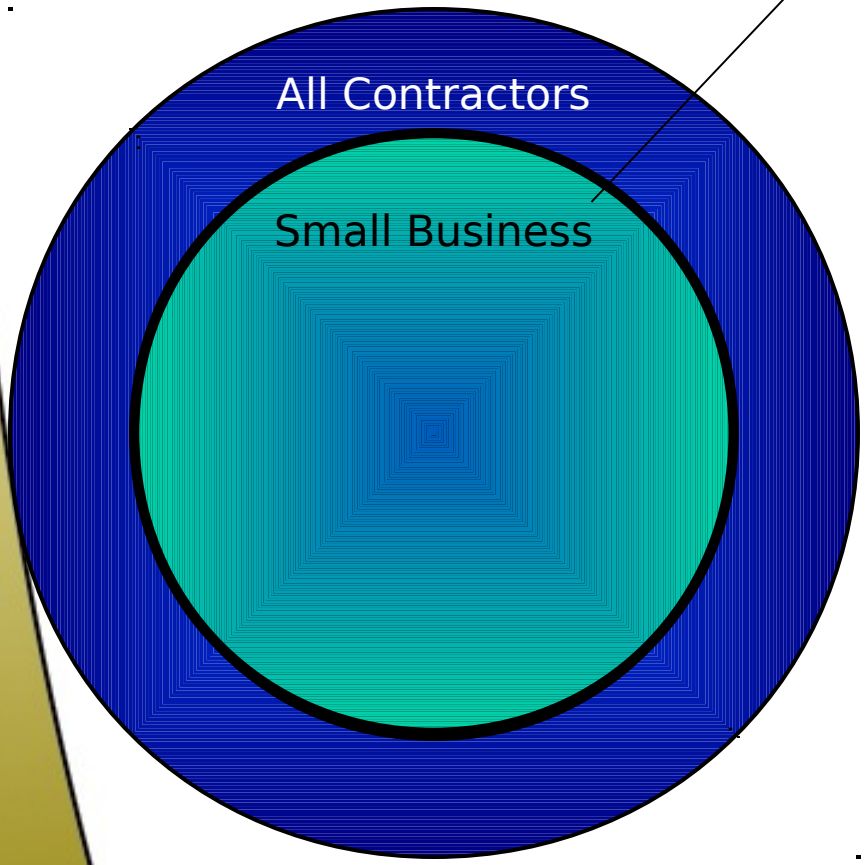
Types of Programs

- Small Business Programs
- Other Socioeconomic Programs

Small Business Program

(FAR Part 19)

Small Business:
- **Independently owned and operated**
- **Not dominant in its field**
- **Meets size standards**



Small Business

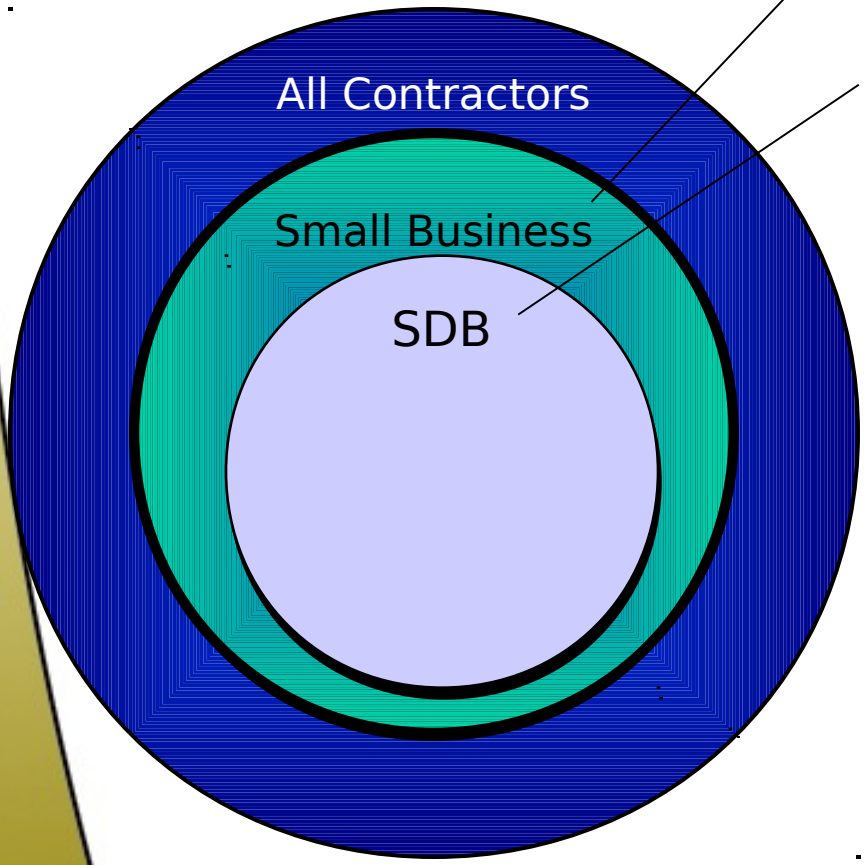
- A “Small Business Concern” means a concern, including its affiliates, that is
  - Independently owned and operated,
  - Not dominant in the field of operations in which it is bidding on government contracts, and
  - Qualifies as a small business under the criteria and size standards in 13 CFR 121.
- Business concerns are affiliates if, directly or indirectly,
  - Either one controls or has the power to control the other, or
  - Another concern controls or has the power to control both.

Small Business

- Set-Aside Program
  - ALL requirements between $2,500 and $100,000 are automatically reserved for small business and shall be set-aside unless CO determines there is *no reasonable expectation* of obtaining offers from *two or more responsible small business concerns* that are competitive in terms of market price, quality, and delivery.
  - Requirements over $100,000 will be set-aside for small business
    - When there is a reasonable expectation that offers will be obtained from at least *two or more responsible small business concerns*
    - offering the products of different small business concerns
    - award will be at *fair market prices*

Small Business Program

(FAR Part 19)



Small Business:
- **Independently owned and operated**
- **Not dominant in its field**
- **Meets size standards**

Small Disadvantaged Business:
- **Small Business**
- **At least 51% owned & managed by socially or economically disadvantaged person or persons**

SMALL DISADVANTAGED BUSINESS
Defined

- **A SDB is *small business firm* that is 51% *owned, operated and managed* on a daily basis by individuals who are socially and economically disadvantaged**

SMALL DISADVANTAGED BUSINESS
Defined

- **Social Disadvantage**
  - **Subjected to racial or ethnic prejudice or cultural bias**
    - **African Americans**
    - **Hispanic Americans**
    - **Native Americans**
    - **Asian Pacific Americans**
    - **Subcontinent Asian Americans**
    - **Other minorities as defined by the SBA**

SMALL DISADVANTAGED BUSINESS
Defined

- **Economic disadvantage**
  - **Individuals denied access to capital and credit opportunities because of their identification as a member of a specific group**
  - **Personal Net worth must be less than $750,000 *excepting***
    - **Ownership by the principal(s) in the firm**
    - **Equity in the primary personal residence**

SMALL DISADVANTAGED BUSINESS
Defined

To represent itself as a SDB for Federal contracting, a firm must have

- **Received certification from the SBA**

- **A firm cannot represent itself as a SDB if it is NOT on the list of SDBs maintained by SBA**
  - **Important to prime contractors in their subcontracting program**

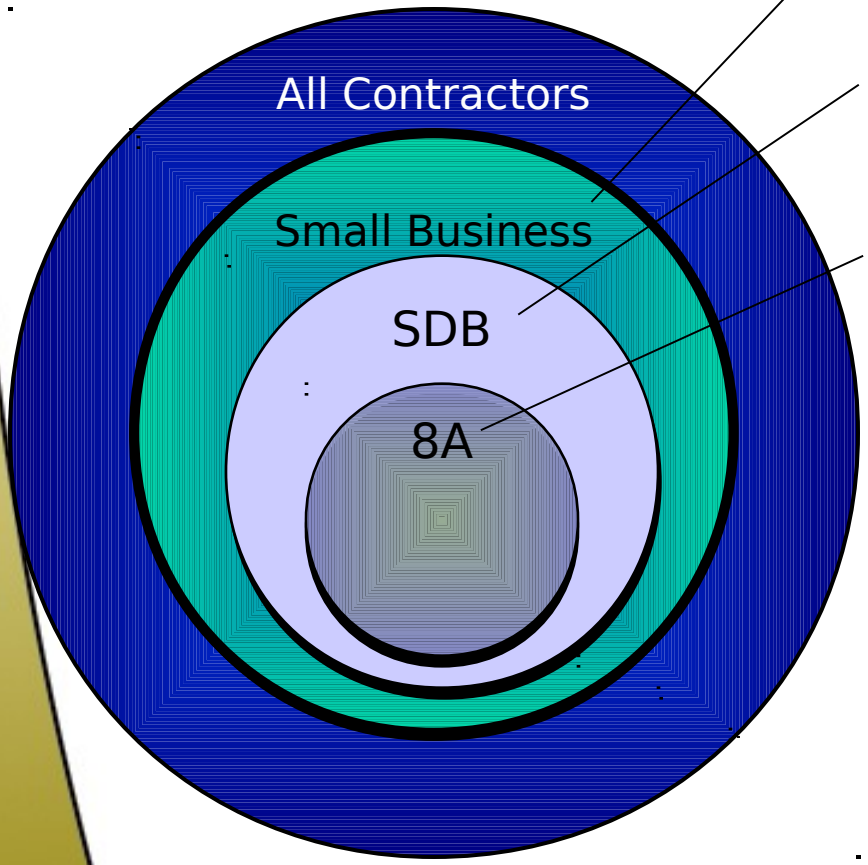
THE SDB PROGRAM

The Adarand Decision

- **Adarand Decision - *1995***
  - Any Federal programs that make *race a basis* for contract decision making *must be narrowly tailored* to serve a compelling Government interest
  - Strict Scrutiny is the test
- **Strict Scrutiny**
  - What's the percentage of minority firms in an industry and how many are participating?
  - Is the disparity because of racial discrimination?
  - If yes, must prove prior discrimination before racial classifications can be used as a remedy.

Small Business Program

(FAR Part 19)



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8A Contractor:
- **Small Disadvantaged Business**
- **Approved for program participation by the SBA**

8(a) Program

- Refers to Section 8(a) of the Small Business Act
- Helps small disadvantaged business firms compete in the American economy
- Program is administered by the Small Business Administration
  - Certify and monitor all firms

8(a) Program

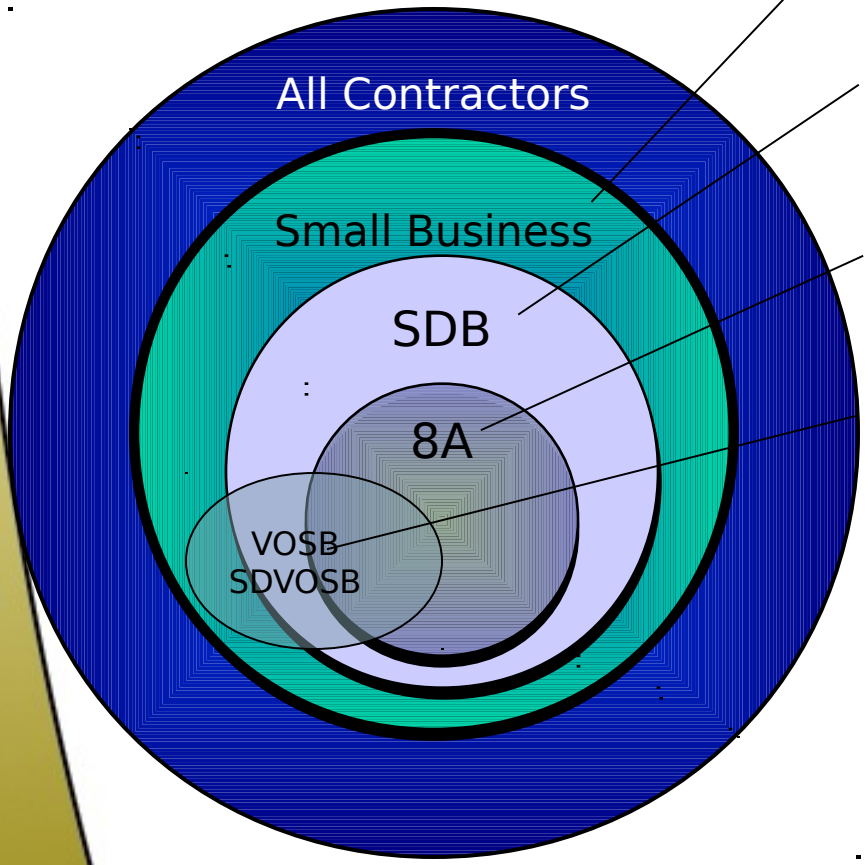
- Section 8(a) program is a two-stage program
- Nine Years
  - Developmental stage – 5 years
    - Sole source contracts
  - Transition stage – last 4 years
    - Emphasize competition
    - Prepare to graduate

8(a) Eligibility

- Small Disadvantaged Business
  - Individuals who are socially disadvantaged
  - Economically disadvantaged
    - Personal & business finances examined
    - Access to capital/credit
    - Entry level - less than $250,000 in personal net worth
    - Rises as they progress in program

Small Business Program

(FAR Part 19)



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Veteran and Service Disabled Veteran Owned Small Business:
- Small Business
- At least 51% owned & managed by a service disabled veteran or veterans

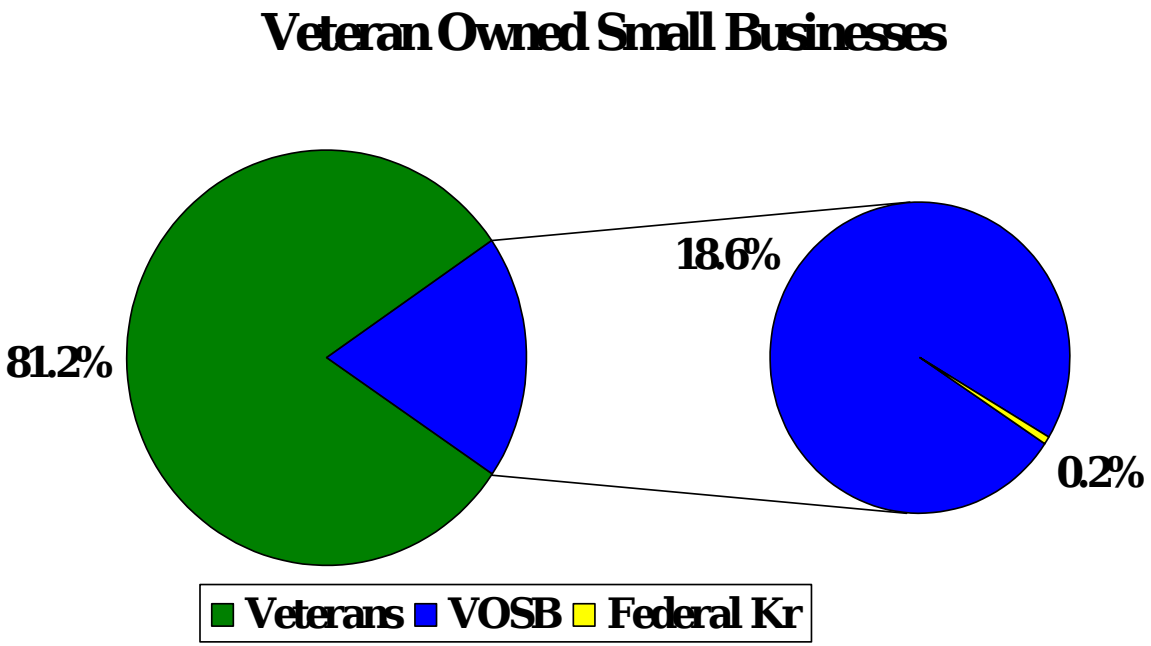
Veteran Owned

Veteran Entrepreneurship & SB Development Act (PL 106-50)

- National Veterans Business Development Corporation
- Advisory Committee on Veterans Business Affairs
- Financial relief for reservists ordered to active duty during conflicts
- Established 3% Goal for Service-Disabled Veteran Owned Firms

Veteran Owned

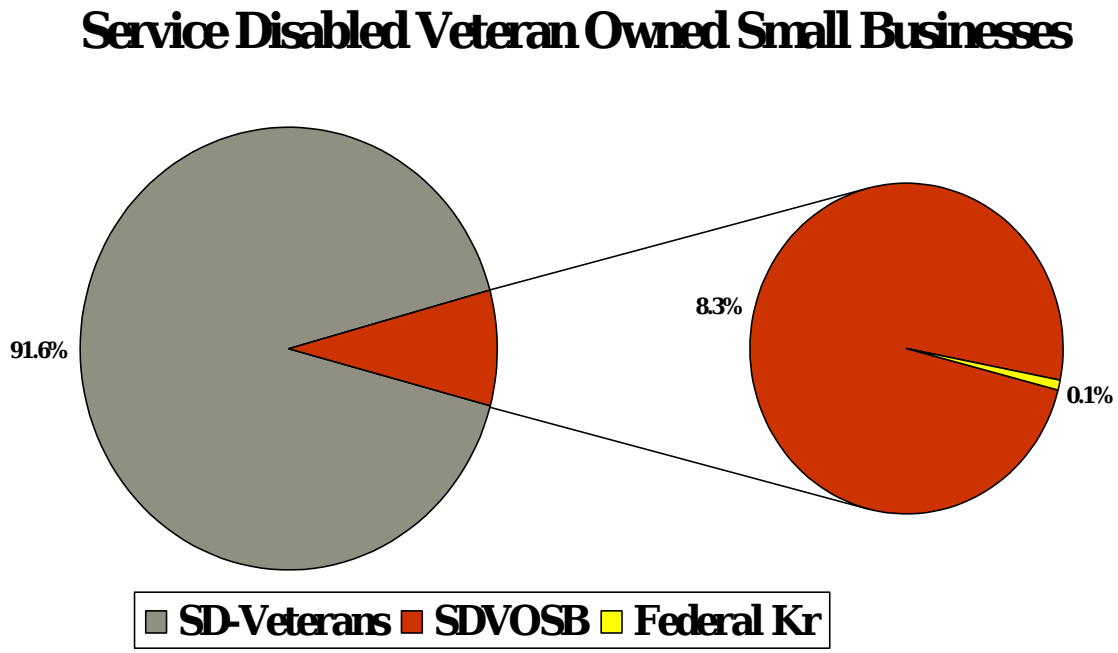
- 24 M Veterans
- 5.5M Veteran Owned Small Businesses (VOSB)
- 50K VOSB Doing Business with Federal Government



Data Source: Center for Veterans Enterprise

Service-Disabled Veteran

- 3.3M Service-Disabled Veterans (SDV)
- 300K SDV Owned Small Businesses (SDVOSB)
- 3K SDVOSB Doing Business with Federal Government



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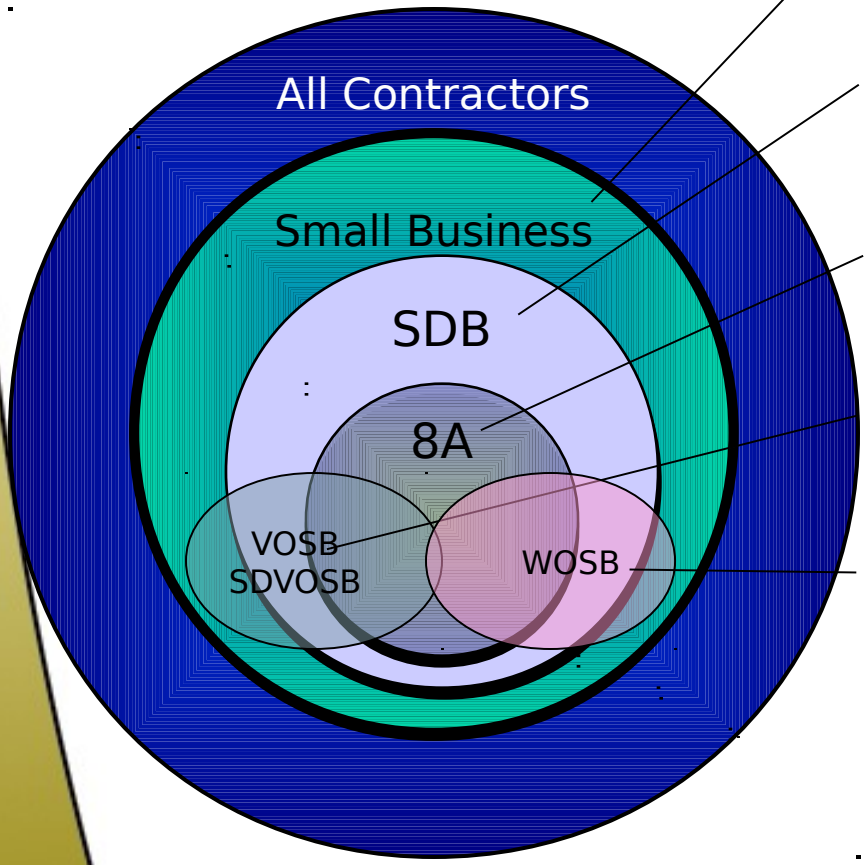

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- Small Business
- At least 51% owned & managed by a service disabled veteran or veterans

Woman Owned Small Business:
- Small Business
- At least 51% owned & managed by a woman or women

Women Owned

Preference Programs for WOSBs

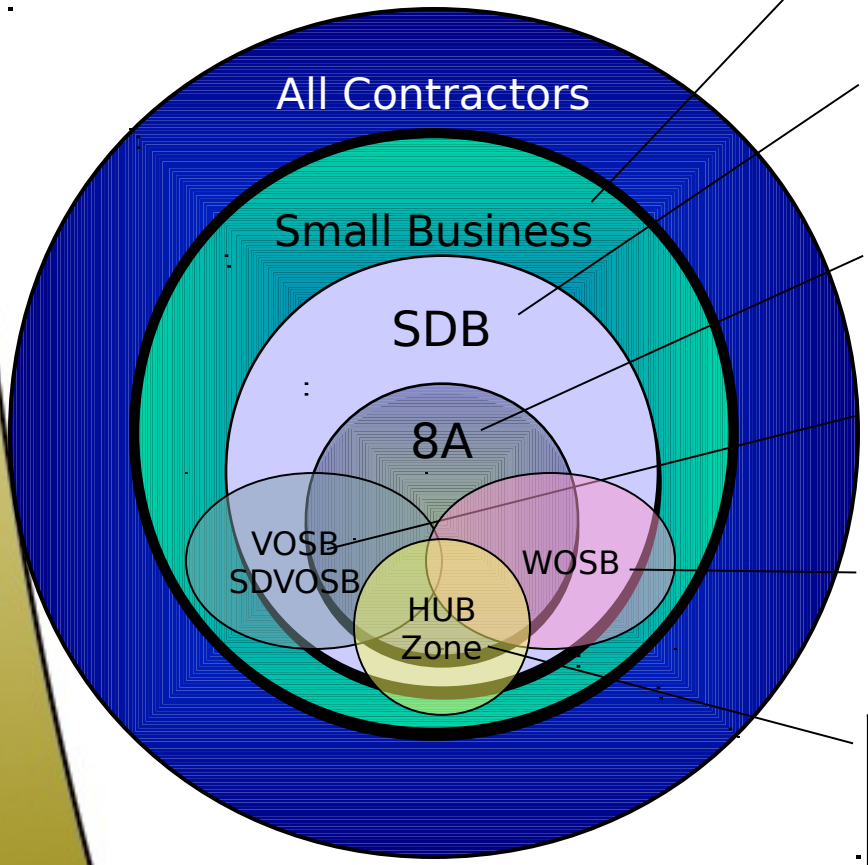
Until the Small Business Reauthorization Act of 2000 (P.L. 106-554) there were no preference programs, such as set-asides or percentage factors for WOSBs…But now this act *allows* WOSB set-asides (permissive…not mandatory)

Implementing regulatory guidance is currently being prepared by the Small Business Administration. When implemented, Contracting Officers *may* restrict competition

- There is a reasonable expectation that two or more WOSBs will submit offers, AND
- The requirement is in an industry where WOSBs are substantially underrepresented

Small Business Program

(FAR Part 19)



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- At least 51% owned & managed by a service disabled veteran or veterans

Woman Owned Small Business:
- Small Business
- At least 51% owned & managed by a woman or women

Historically Underutilized Business Zone Business:
- Small Business owned and controlled by one or more U.S. citizens, a Community Development Corporation or an Indian Tribe
- Located in a designated Historically Underutilized Business Zone
- 35% of employees reside in HUB Zone

HUB Zone

SBA Reauthorization Act 1997 (PL 105-135)

- Created the Historically Underutilized Business Zone (HUBZone) Program
- Established 3% Goal FY03 and beyond

HUBZone Areas

Three categories

- **Urban**: Metropolitan Area Census Tracts (HUD) - 7,000
  - **Urban** designation is concurrent with census (ten years)
- **Rural**: Non-metropolitan Counties - 900
  - Median household income is less than 80% of the non-metropolitan state level (Census)
  - Unemployment rate that is not less than 140% of the state-wide average (DOL)
  - **Rural** designation is adjusted annually
- **Native American**: All federally recognized Indian reservations as defined by external boundary
  - **Native American** designation involves Federal recognition and boundary changes.

HUBZone Requirements

- Must be a small business by SBA standards;
- Concern must be owned and controlled ***only*** by US citizens, Community Development Corporations or Indian tribes;
- The ***principal office*** of the small business concern must be located in a HUBZone; and
- At least 35% of the small business concern's employees must reside in a HUBZone.

Program Priorities

HUBZone 8(a)'s and other 8(a)'s

HUBZones Competition

HUBZones Sole Source

Small Business Set-Aside

Open Competition with Evaluation Preference

Open Competition

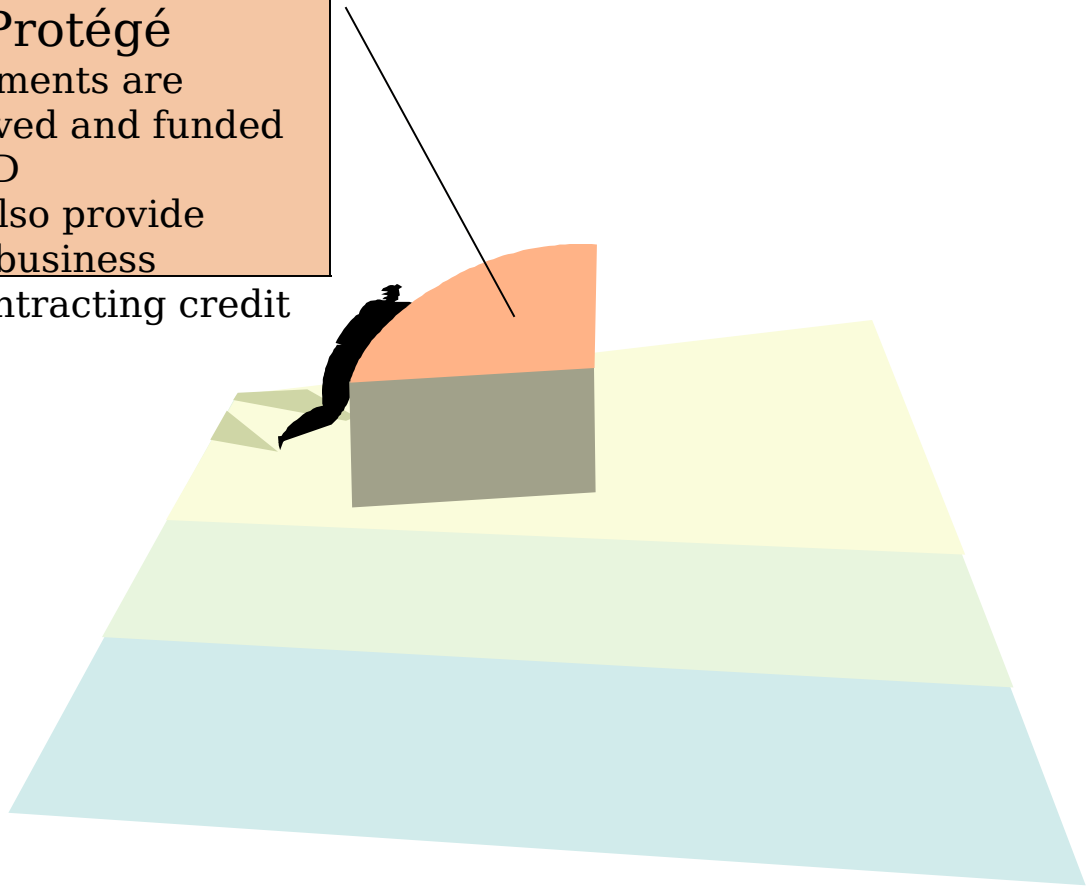
Sole Source

Other Socioeconomic Programs

(FAR Part 26)

Mentor-Protégé

- Agreements are approved and funded by DoD
- May also provide small business subcontracting credit



DOD Pilot
Mentor Protégé Program

National Defense Authorization Act (PL 101-510)

- Passed in 1992
- Established the Pilot Mentor-Protégé Program
- Provide incentives for DoD contractors to assist SDBs to develop their technical capabilities
- Increase SDB participation in Government contracts
- Prime contractors may be reimbursed labor costs or allowed to credit costs toward subcontracting goals

The Defense Authorization Act for fiscal year 2001 extended the MPP until 30 Sep 2005 for approval of new agreements, and until 30 Sep 2008 for incurred costs.

Army Pilot 8(a) Graduate Mentor-Protégé Program

- Graduated 8(a) firms involved in mentoring emerging 8(a) firms
- 22 Mentor-Protégé teams approved so far

DOD Pilot
Mentor Protégé Program

- Mentor must :
  - Have at least *one active approved subcontracting plan* (FAR 19.702) *and*
  - *Be eligible* for the award of federal contracts
    - Total amount of contracts and subcontracts in the previous fiscal year equal to or greater than $100 million
  - Demonstrate the capability to assist in the development of protégé firms
  - Be approved by the Secretary of Defense
- Protégé must:
  - Be a *SDB firm* as defined by the Small Business Act *or*
  - Be a qualified organization employing the disabled

DOD Pilot
Mentor Protégé Program

Transformation FY 04

- DOD delegation to Services to approve and fund mentor-protégé agreements.
- Proposed new role for Army Associate Directors
  - Serve as approving authority for command
  - Ensure packages are complete
  - Make recommendation to Director SADBU for funding
- Communications/correspondence through Associate Directors

Other Socioeconomic Programs

(FAR Part 26)

Mentor-Protégé

Agreements are approved and funded by DoD
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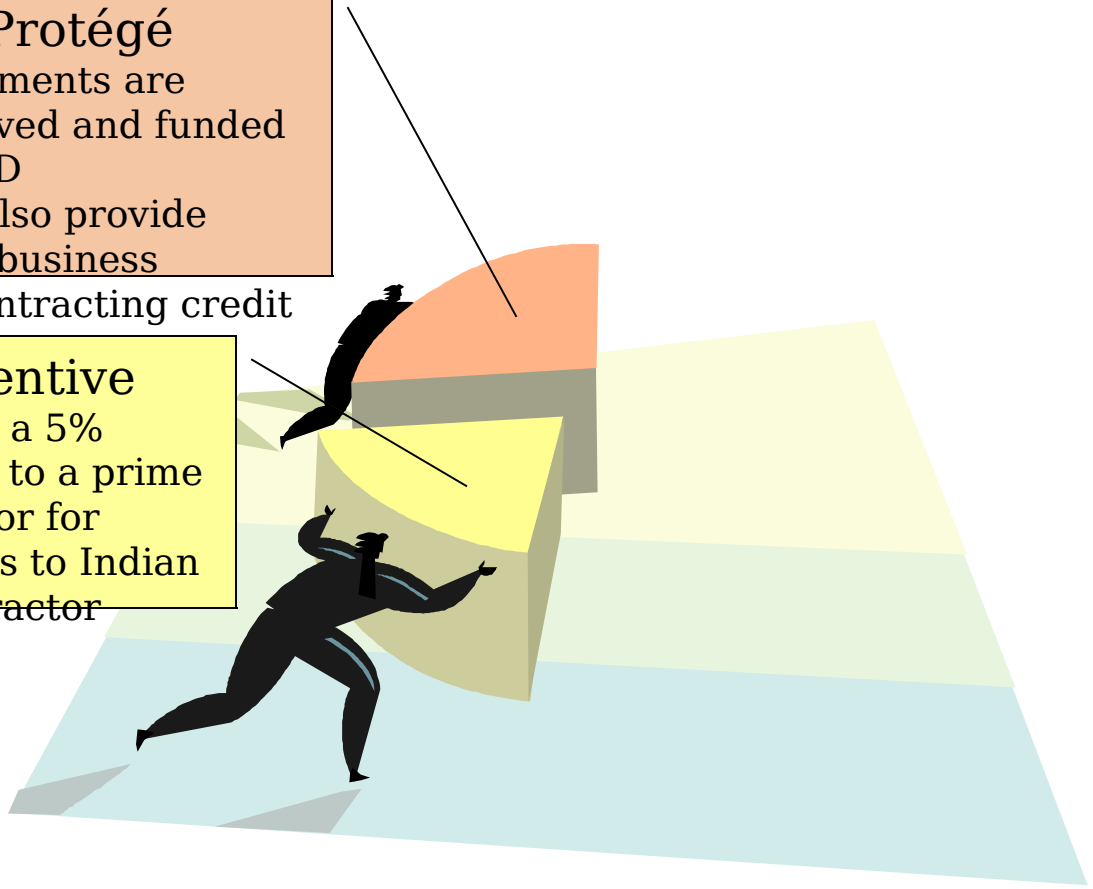
Indian Incentive

Provides a 5% "rebate" to a prime contractor for payments to Indian subcontractor



Indian Incentive Program

- Defense Prime Contractors can receive a 5% rebate/bonus of money spent on subcontracts to Native American concerns.
  - 8(a) firms owned by Indian Tribes or Alaska Native Corporations (ANC) are exempt from the sole-source thresholds of $5M for Manufacturing and $3M for all other contracts, and from the $100M limitation on all sole source awards.
  - ANCs can simultaneously establish multiple 8(a) concerns in non-related business areas.

Other Socioeconomic Programs

(FAR Part 26)

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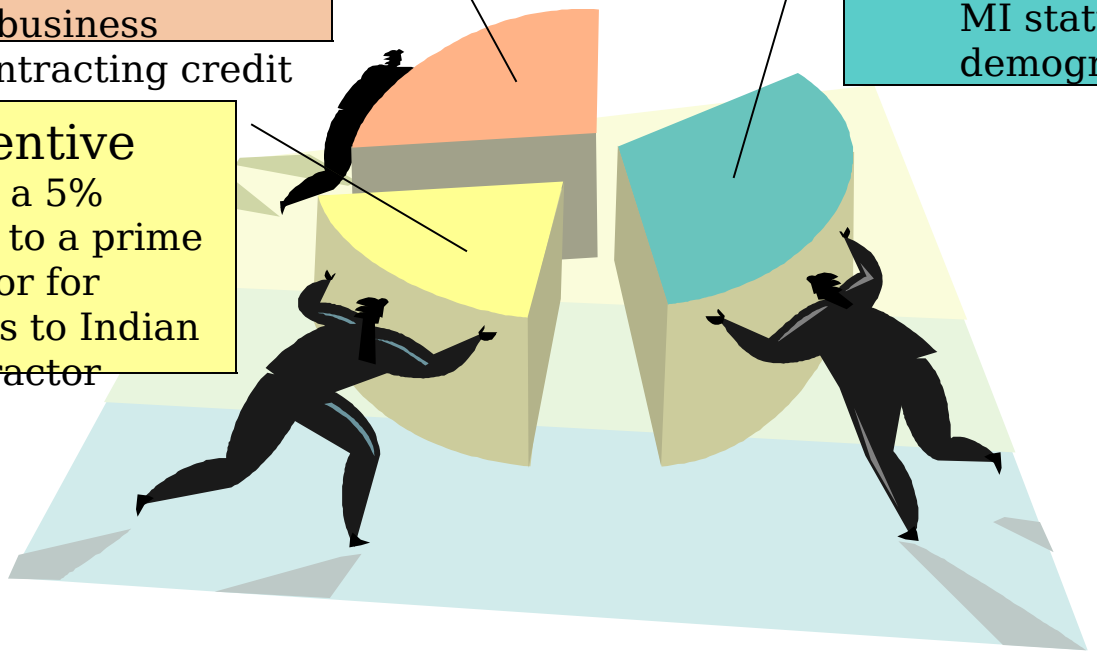
HBCU/MI

Designated by the Department of Education
MI status based on studer demographics



HBCU/MI Policy

Public Law

10 USC 2323 - directs that Federal Agencies develop and report to the Congress the aggressive approaches taken to expand the role of HBCU/MI in DoD programs.

Dept of Education

Publishes Annual Listing of Minority Institutions (HBCU/MI) that identifies “Federally recognized list of accredited HBCU/MI”
(http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html)

Proposed 5-Year SB Target Plan

	FY03	FY04	FY05	FY06	FY07	FY08
SB	57.5%	60.0%	60.5%	61.3%	62.0%	62.5%
SDB	29.0%	31.7%	32.1%	32.6%	32.9%	33.2%
WOSB	20.8%	18.3%	18.7%	19.0%	19.3%	19.5%
SDVOSB	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
HUBZone	3.0%	3.0%	3.1%	3.2%	3.2%	3.2%
HBCU/MI	6.3%	5.0%	5.0%	5.0%	5.0%	5.0%